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Cotton and Products

Annual Report

2004

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Report Highlights:

French imports of raw cotton, mainly from Uzbekistan, decreased sharply in MY 2003/2004 to 56,000 MT and a further decrease is expected for MY 2004/2005. French imports of U.S. raw cotton remain very low. Yarn and Fabric production are expected to also decline in CY 2004. French total textile imports increased significantly in CY 2003 due to the increased price competitiveness of imported textile goods. Exports also increased. Part of those exports is textile items, which are finished in developing countries. While exports of U.S. raw cotton to France remain very low, U.S. cotton, cotton products and textile exports to France in CY 2003 were USD 148 million. U.S. fashion remains popular in France but most items sold under U.S. owned brands are manufactured in low production-cost countries. The Cotton Council International participates in several Paris fabric trade shows.

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Executive Summary

French imports of raw cotton decreased sharply in MY 2003/2004 to 56,000 MT. It seems that traders and manufacturers lowered their stocks of raw cotton, which had increased last MY, in addition to the difficult economic situation of the French yarn and textile industry. A further decrease is expected for MY 2004/2005. The bulk of imports come from the Commonwealth of Independent States (CIS), mainly Uzbekistan. French imports of U.S. raw cotton remain very low.

Preliminary data for CY 2004 show that yarn production declined significantly. The decline was seen in both cotton and synthetic fibers.

Fabric production declined in CY 2003 and no rebound is expected for CY 2004.

The apparent consumption of all textile items (i.e. calculated by balance between production, imports and exports) has decreased in CY 2003. This trend is due to a large decrease in domestic textile production not compensated for by larger imports.

French total textile imports increased significantly in CY 2003 due to the increased price competitiveness of imported textile goods. Exports also increased. Parts of those exports are textile items, which are finished in developing countries while the remaining are high-value textile items sold to developed countries.

While exports of U.S. raw cotton to France remain very low, U.S. cotton, cotton products and textile (HS code 50 to 63) exports to France in CY 2003 were USD 148 million. The increase from the previous year was mainly due to the lowering value of the dollar, which made U.S.-made products more price competitive. U.S. fashion, mostly sportswear and casual wear, remain popular in France. Most U.S. textile brands are selling well. However, most items sold under U.S. owned brands are manufactured in low production-cost countries, mainly Mexico and Latin America, Asia and Eastern Europe.

The Cotton Council International participates in several Paris fabric trade shows such as Premiere Vision.

Internet Links

http://www.textiliens.net/index_fr.asp the portal of the French textile Industry

Raw cotton, outlook

French imports of raw cotton decreased sharply in MY 2003/2004 to 56,000 MT and no rebound is expected for MY 2004/2005. The lack of competitiveness of the French textile industry will, on the long term, impact negatively on raw cotton imports.

The bulk of imports will continue to come from Uzbekistan. U.S. exports of raw cotton, already almost negligible, are not expected to grow significantly in France due to its lack of price competitiveness.

Yarn, outlook

While no definitive production data are available yet, it appears that yarn production decreased again in CY 2003. Yarn imports also declined in CY 2003 showing the ongoing recession in the French fabric industry.

*Note that artificial fiber production continued to decrease in CY 2003 : a supply/cost study shows a growing gap between European (and American) artificial fiber and Asian fiber, which has lowered the competitiveness of yarn and fabric production in Europe.

Fabric, outlook

Fabric production declined in CY 2003. No Rebound is expected for CY 2004.

Fabric exports and imports continued to decline in CY 2003. One can note that, by volume, cotton fabric imports outpace exports, by value, French fabric exports are 1.5 times greater than imports. France exports high quality (and high value) fabric and imports lower quality fabric.

Textiles, Outlook

There were 1150 textile companies in France in 2003 employing about 112,500 workers, with total sales of about 15.2 billion Euros (about 18 billion USD). The total size of the textile market is estimated at 26 billion euros

It is difficult to assess precisely the real level of textile consumption. However, the apparent consumption of all textile (i.e. calculated by balance between production, imports and exports) appeared to have decreased in CY 2003. This trend is due to a large decrease in domestic production not compensated for by larger imports.

French total textile imports increased significantly in CY 2003 due to the increased price competitiveness of imported textile goods. French textile exports also increased. Part of those exports are textile items which are finished in developing countries while the remaining are high-value textile items sold to developed countries.

French total textile trade in CY 2002 and CY 2003 (USD) (HS code 50 to 63) (thousands USD)

| Partner Country | IMPORTS | | Partner Country | EXPORTS | |
|-----------------|------------|------------|-----------------|-----------|-----------|
| | 2002 | 2003 | | 2002 | 2003 |
| World | 18,606,571 | 21,680,601 | World | 7,465,547 | 8,531,915 |
| Italy | 2,515,984 | 2,940,780 | Belgium | 862,002 | 951,175 |
| China | 1,696,567 | 2,182,974 | Spain | 633,485 | 869,858 |
| Belgium | 1,127,463 | 1,399,859 | Germany | 744,188 | 815,222 |
| Tunisia | 1,256,010 | 1,390,710 | Italy | 601,885 | 770,819 |
| Germany | 1,101,869 | 1,229,119 | United Kingdom | 666,739 | 769,626 |
| Morocco | 1,095,610 | 1,187,692 | Tunisia | 343,367 | 392,221 |
| Turkey | 952,016 | 1,161,243 | Japan | 339,051 | 370,178 |
| Spain | 541,552 | 944,737 | United States | 369,581 | 368,086 |
| India | 658,988 | 808,056 | Switzerland | 335,940 | 362,264 |
| Portugal | 672,069 | 759,618 | Portugal | 266,567 | 280,582 |
| Romania | 472,741 | 590,329 | Netherlands | 257,625 | 264,691 |
| United Kingdom | 470,201 | 563,278 | Morocco | 209,479 | 236,815 |
| Bangladesh | 446,690 | 549,750 | Romania | 120,746 | 158,759 |
| Netherlands | 363,171 | 425,243 | Hong Kong | 156,893 | 157,064 |
| Poland | 270,137 | 304,081 | Greece | 95,843 | 128,604 |
| Pakistan | 241,139 | 303,130 | Russia | 89,001 | 109,921 |
| Indonesia | 243,229 | 290,269 | Saudi Arabia | 83,899 | 89,920 |
| Mauritius | 261,557 | 281,775 | Poland | 78,446 | 89,097 |

| | | | | | |
|---------------|---------|---------|-------------|--------|--------|
| South Korea | 235,895 | 269,980 | Austria | 61,095 | 77,160 |
| Thailand | 194,581 | 242,104 | Sweden | 61,901 | 76,145 |
| Bulgaria | 185,795 | 237,472 | Denmark | 56,770 | 64,972 |
| Hong Kong | 204,391 | 231,833 | South Korea | 51,685 | 60,714 |
| Hungary | 193,229 | 220,883 | Luxembourg | 47,949 | 55,588 |
| Austria | 170,835 | 200,777 | Lebanon | 55,371 | 55,001 |
| Greece | 145,137 | 161,636 | Canada | 51,211 | 50,890 |
| Switzerland | 148,711 | 153,704 | Taiwan | 46,094 | 46,094 |
| United States | 140,410 | 148,044 | Turkey | 35,827 | 35,828 |

(Source World Trade Atlas)

Policy, Outlook

After January 1st, 2005, textile quotas will be abolished. Textile products will be traded freely. It will be a difficult challenge for the French textile industry, which faces high production costs. Moreover, domestic laws, such as the law setting a maximum of 35hrs of labor per week per worker, is further increasing French textile production costs. On the other hand, French textile companies will benefit from increased labor flexibility, allowing them to use their machines for a longer period of time and respond more quickly to customer demand. According to the French Federation of the Textile Industry, a solution to the greater competition, which will occur from trade liberalization, comes from better quality, an enhanced reaction to consumer demand and fashion trends and modernization of machines and plants. The Federation also calls for true and fair competition between producers and for better protection of laborers' rights in developing countries. The French Federation also hope that the Doha round will open all third countries markets with customs duties equal or below 15 percent.

In July 2003, the 3rd Euro-Mediterranée Conference between the EU 15 and 12 countries from the Mediterranean region led to the signature of a MOU on the preferential origin. It means that a textile item can originate from France, be transformed in a low wages countries and come back, without having to pay custom duties at each border crossing. However, the full implementation of this MOU is pending for several bilateral agreements between Mediterranean countries.

The French textile industry also supports the eco-labeling of the textiles, which are environmentally friendly and socially progressive.

The French textile industry also launched in 2002, R2ITH, an industrial network of textile innovation, funded by the French Ministry of Industry: centered around 8 strategic regional poles such as fashion, non-conventional uses, clever fabrics and new marketing strategies, it aims at funding at least 20 R&D projects per year.

Finally, the French textile industry is pushing for a stricter enforcement of the copyright protection. Many French textile brands are heavily counterfeited. The French customs were granted extended powers and penalties were strengthened. An EU regulation against counterfeiting was adopted in July 2004 with a full implementation since 1 July , 2004.

French position on African Cotton Issue

In May 2003, four cotton-producing countries in Africa (Benin, Burkina Faso, Mali and Chad), all former French colonies, launched a sectorial initiative on cotton, with the aim of reducing poverty. The French Ministry of Foreign affairs (MFA) fully supports the initiative, which fits within the French President's proposals for supporting Africa's development. France

financially supported the trip of African diplomats and cotton experts to the Cancun Ministerial. In its statement, MFA explicitly blames U.S. marketing loans and export credits as a cause for major cotton market disturbances.

For an overall view on the French position, see:

http://www.cooperation.gouv.fr/solidarite/agriculture/init_sectorielle/index.html

Trade Agreements

As a member of the European Union, France applies the EU textile agreement with textile exporting countries, such as Bangladesh and Pakistan as well as with non-EU eastern European countries. More Information can be found on the EU web site:

<http://europa.eu.int/comm/enterprise/textile/index.htm> .

Marketing Opportunities

While exports of U.S. raw cotton remain very low, U.S. cotton textile (HS code 50 to 63) exports to France in CY 2003 were USD 148 million out of a total import figure of USD 21.7 billion. A slight increase from 2002 due to the lower value of dollar, which made U.S. products more price-competitive. U.S. fashion, mostly sportswear and casual wear, remains very popular in France. Most U.S. textile brands are selling well. However, most items sold under U.S. owned brands are manufactured in low production-cost countries, mainly Mexico and Latin America, Asia and Eastern Europe. No information is available on the share of U.S. cotton, yarns and fabric used to manufacture those clothing items. U.S. Department of commerce (www.doc.gov) provides export assistance to U.S. companies willing to export U.S. textile items to France.

*Note that French trade data probably underestimate real trade with the United States as items shipped to Antwerp (Belgium) and which clear customs at the port are counted in French Customs data as imports from Belgium, not from the United States.

French Imports of U.S. Textile items in CY 2002 and 2003

| Commodity | Description | Thousand U.S. Dollar | |
|-------------|--|----------------------|---------|
| | | 2002 | 2003 |
| all textile | all textile items inc. yarn and fabric | 140,410 | 148,043 |
| 59 | Impregnated Etc Text Fabrics; Tex Art For Industry | 25,610 | 28,845 |
| 54 | Manmade Filaments, Including Yarns & Woven Fabrics | 25,567 | 26,228 |
| 62 | Apparel Articles And Accessories, Not Knit Etc. | 19,347 | 23,118 |
| 63 | Textile Art Nesoi; Needlecraft Sets; Worn Text Art | 17,945 | 16,810 |
| 61 | Apparel Articles And Accessories, Knit Or Crochet | 16,192 | 16,191 |
| 56 | Wadding, Felt Etc; Sp Yarn; Twine, Ropes Etc. | 11,712 | 11,366 |
| 60 | Knitted Or Crocheted Fabrics | 4,173 | 6,281 |
| 55 | Manmade Staple Fibers, Incl Yarns & Woven Fabrics | 6,103 | 5,588 |
| 52 | Cotton, Including Yarn And Woven Fabric Thereof | 4,445 | 3,712 |
| 57 | Carpets And Other Textile Floor Coverings | 3,731 | 3,655 |
| 51 | Wool & Animal Hair, Including Yarn & Woven Fabric | 3,217 | 3,036 |
| 58 | Spec Wov Fabrics; Tufted Fab; Lace; Tapestries Etc | 2,123 | 2,825 |
| 50 | Silk, Including Yarns And Woven Fabric Thereof | 171 | 305 |
| 53 | Veg Text Fib Nesoi; Veg Fib & Paper Yns & Wov Fab | 69 | 78 |

(Source World Trade Atlas)

French Textile Trade shows

Première Vision : 60 000 visitors : www.premierevision.fr

Lingerie : 450 brands www.lingerie-paris.com

Lyon Mode City : 18 500 visitors www.lyonmodecity.com

Tissu premier : 10 000 visitors www.tissu-premier.com

Intersélection : 9 000 visitors www.interselection.net

Expofil : 200 exhibitors, 7000 visitors www.expofil.com

Fil Event : 30 exhibitors, 2 600 visitors www.fil-event.com

Future by Tissu premier : 1400 visitors www.future-tissupremier.com

Statistical Tables

Commodity Cotton

| | (HECTARES)(MT) | | | | | | |
|---------------------------|------------------------|-----------------------------|------------------------|------------------------------|------------------------|------------------------------|--------------|
| | 2003 | Revised Post Estimate | 2004 | Estimate Post Estimate | 2005 | Forecast Post Estimate | UOM |
| | USDA Official [Old] | [New] | USDA Official [Old] | [New] | USDA Official [Old] | [New] | |
| Market Year Begin | | 08/2003 | | 08/2004 | | 08/2005 | MM/YYYY |
| Area Planted | 0 | 0 | 0 | 0 | 0 | 0 | 0 (HECTARES) |
| Area Harvested | 0 | 0 | 0 | 0 | 0 | 0 | 0 (HECTARES) |
| Beginning Stocks | 12410 | 15000 | 10233 | 13500 | 8056 | 8000 | (MT) |
| Production | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| Imports | 59875 | 75000 | 48988 | 56200 | 0 | 50000 | (MT) |
| MY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| TOTAL SUPPLY | 72285 | 90000 | 59221 | 69700 | 8056 | 58000 | (MT) |
| Exports | 9798 | 6500 | 7620 | 10000 | 0 | 12000 | (MT) |
| USE Dom. Consumption | 52254 | 70000 | 43545 | 51700 | 0 | 39000 | (MT) |
| Loss Dom. Consumption | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| TOTAL Dom. Consumption | 52254 | 70000 | 43545 | 51700 | 0 | 39000 | (MT) |
| Ending Stocks | 10233 | 13500 | 8056 | 8000 | 0 | 7000 | (MT) |
| TOTAL DISTRIBUTION | 72285 | 90000 | 59221 | 69700 | 0 | 58000 | (MT) |

Import Trade Matrix

Country France

Commodity Cotton

| | | | |
|--------------|---------|--------|------|
| Time Period | Aug-Jul | Units: | MT |
| Imports for: | 2002 | | 2003 |
| U.S. | 906 | U.S. | 415 |
| Others | | Others | |

| | | | |
|--------------|-------|------------|-------|
| Uzbekistan | 32066 | Uzbekistan | 24024 |
| Syria | 13953 | Tajikistan | 7343 |
| Tajikistan | 7416 | Cameroon | 6301 |
| Spain | 5392 | Spain | 4671 |
| Greece | 3930 | Greece | 4567 |
| Turkmenistan | 3769 | Syria | 4206 |
| Cameroon | 3582 | Brazil | 4045 |
| Kazakhstan | 3253 | Turkey | 2696 |
| Brazil | 1420 | Kazakhstan | 2332 |
| Latvia | 1378 | Mali | 1946 |

| | | |
|-------------------|-------|-------|
| Total for Others | 76159 | 62131 |
| Others not Listed | 13728 | 12908 |
| Grand Total | 89887 | 75039 |

Export Trade Matrix

Country France

Commodity Cotton

| | | | |
|--------------|---------|--------|------|
| Time Period | Aug-Jul | Units: | MT |
| Exports for: | 2002 | | 2003 |
| U.S. | 1 | U.S. | |
| Others | | Others | |

| | | | |
|----------------|-----|----------------|------|
| Belgium | 950 | Austria | 3631 |
| Austria | 612 | Belgium | 1047 |
| Italy | 276 | Germany | 484 |
| Poland | 166 | Poland | 455 |
| Germany | 95 | Croatia | 205 |
| Portugal | 79 | Italy | 201 |
| Taiwan | 74 | Spain | 179 |
| Spain | 45 | Portugal | 128 |
| Switzerland | 31 | Tunisia | 98 |
| United Kingdom | 30 | Czech Republic | 72 |

| | | |
|-------------------|------|------|
| Total for Others | 2358 | 6500 |
| Others not Listed | 154 | 67 |
| Grand Total | 2513 | 6567 |